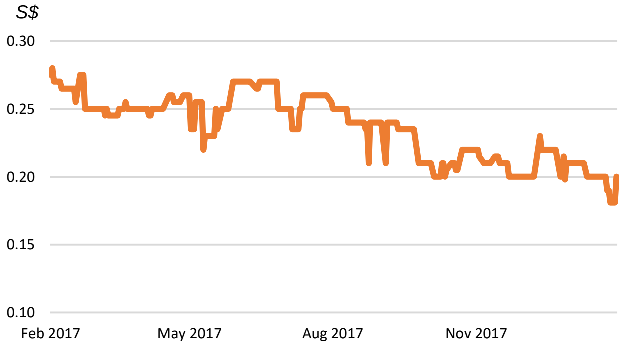
UG Healthcare Corporation Limited

Date: 22 February 2018

Non Rated

UGHC SP
Price: S$0.210 (as at 21 February 2018)



Share price	1M	3M	6M	1Y
UG Healthcare	5.0%	5.0%	(19.0)%	(23.8)%
Catalist Index	(2.4)%	(7.6)%	10.1%	8.7%

Market capitalisation	S$38.3 million
Current price	S$0.20
Shares outstanding	191,460,054
Free Float	17.6%
Major shareholders	Zen UG Pte. Ltd (1) 49.36% Raydion Direct Global Inc (1) 12.74%
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

(1) Lee Keck Keong, Sim Ai Cheng, Lee Jun Yih and Lee Jun Linn are deemed to be interested in all the shares held by Zen UG Pte. Ltd. And Raydion Direct Global Inc. by virtue of Section 7 of the Companies Act.

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Integrated Rubber Gloves Player

An integrated manufacturing and distributions player. UG Healthcare Corporation Limited and together with its subsidiaries, ("**UGHC**", "**Company**" or the "**Group**") is an established natural latex and nitrile gloves manufacturer with its own extensive distribution network. The Group is also involved in the distribution of ancillary products such as surgical, vinyl and cleanroom gloves, face masks and other medical disposables.

Strengthening capabilities in their integrated platform. UGHC's competitive edge lies in the successful integration of its manufacturing and distribution businesses. The integrated platforms that UGHC is building allow the Group to have full control over the entire supply chain. With its own facilities, the Company is also able to customise products to meet the requirements of their customers in a cost effective manner. We are increasingly convinced that this is going to be the major focus area of the management team moving forward. This is evidenced during our recent site visit to UGHC's premises, where management spent a large part of the presentation focusing on the importance of the establishment of the integrated platform.

Recent quarters earnings indicate turnaround. UGHC reported their second quarter results which showed top-line increase by 19.5% and profit attributable to owners of the Company increased by 74.9%. The quarter also saw gross margins expand by to 17.8% as the Group benefited from higher ASP's and stable raw material prices this quarter. Overall, the Group saw profit margins jump to 5.7% from 3.9% from a year ago.

Key risks: (i) Oversupply of gloves in the marketplace resulting in downward pressures in average selling prices ("**ASP's**").

Key Historical Financials

Year ended June (S$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	47,014	49,009	55,740	58,823	65,239
% Growth	N/A	4.2%	13.7%	5.5%	10.9%
Gross profit	8,107	10,202	11,549	12,693	9,666
Gross profit margin	17.2%	20.8%	20.7%	21.6%	14.8%
Profit/(loss) before tax	4,959	6,130	3,957	7,469	2,569
Profit/(loss) before tax margin	10.5%	12.5%	7.1%	12.7%	3.9%
Profit/(loss) attributable to owners	3,764	4,900	3,164	5,450	2,444
EPS (Singapore cents)	2.4	3.1	1.7	2.9	1.3
P/E (x)	10.0	7.8	13.1	15.7	14.9
P/B (x)	1.7	1.3	2.5	1.4	1.1
Net Debt/Equity	9.9%	6.6%	(3.1%)	12.5%	41.4%

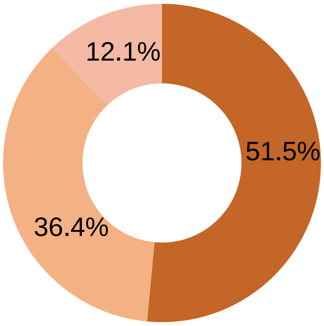
^EPS is computed based on the profit from continuing operations attributable to owners of the company divided by total shares outstanding

Investment Highlights

Business Overview:

UGHC is an established natural latex and nitrile examination gloves manufacturer with its own extensive distribution network. The Group is also involved in the distribution of ancillary products such as surgical, vinyl and cleanroom gloves, face masks and other medical disposables. Currently, the Group has two manufacturing facilities located in Seremban, Malaysia. To complement this manufacturing, it has established an extensive distribution network globally through its own distribution companies based in the USA, UK, Germany, the PRC, and Nigeria, as well as through third party distributors.

Product Segment Breakdown (FY2017)



Source: Company data, SAC Advisors

An integrated manufacturing and distributions player. UG Healthcare Corporation Limited is an established natural latex and nitrile gloves manufacturer with its own extensive distribution network. The Group is also involved in the distribution of ancillary products such as surgical, vinyl and cleanroom gloves, face masks and other medical disposables.

They own and operate an extensive downstream distribution companies with local presence in the United States of America (“**USA**”), United Kingdom (“**UK**”), Germany, the People’s Republic of China (“**PRC**”), and Nigeria, as well as through third party distributors. Their products are distributed and sold to more than 50 countries. This is supported by the Group’s own upstream manufacturing division located in Seremban, Malaysia. The “Unigloves” brand offers an extensive product range including both specialised as well as generic products required for cross infection protection and hygiene standards.

Strengthening capabilities in their integrated platform. UGHC’s competitive edge lies in the successful integration of its manufacturing and distribution businesses. The integrated platforms that UGHC is building allow the Group to have full control over the entire supply chain. With its own facilities, the Company is also able to customise products to meet the requirements of their customers in a cost effective manner. We are increasingly convinced that this is going to be the major focus area of the management team moving forward. This is evidenced during our recent site visit to UGHC’s premises, where management spent a large part of the presentation focusing on the importance of the establishment of the integrated platform.

In our view, the strategy of building up their platform make sense given that they do not yet have the scale like its other listed peers. In order to compete more effectively, the immediate strategy is to build up their own brand through the distribution channels they own. This ensures that UGHC will have control over the marketing of their products and enjoy incremental margins at the distribution level.

Recent quarters earnings indicate turnaround. UGHC reported their second quarter results which showed top-line increase by 19.5% and profit attributable to owners of the Company increased by 74.9%. The quarter also saw gross margins expand by over 320 basis points to 17.8% as the Group benefited from higher ASP’s and stable raw material prices this quarter. Overall, the Group saw profit margins jump to 5.7% from 3.9% from a year ago. Based on the management’s guidance during the results briefing, ASP remains stable for the coming quarter, and they do not expect any negative surprises for this upcoming quarter.

Key Features and Characteristics of Gloves

The Group’s natural latex and nitrile examination gloves are marketed under their “Unigloves” brand name as well as under third party labels where they are engaged as OEM.

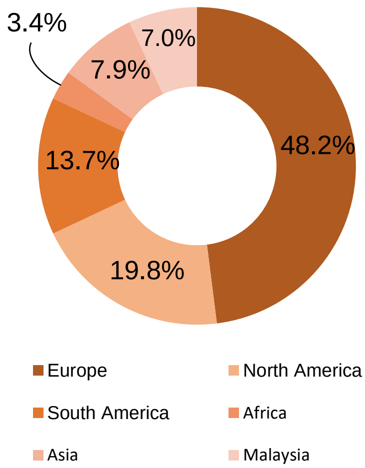
Types	Characteristics	Industries
Natural latex examination gloves	Made from renewable sources of raw material, natural rubber latex, thus making them more environmentally-friendly as they are biodegradable. Low level of extractable protein, chemical residuals and/or antigenic protein.	Healthcare facilities Research and development Food and beverages Others
Nitrile examination gloves	Made from a synthetic elastomer, instead of natural rubber latex. Excellent barrier protection which provides more puncture resistance than other synthetic gloves such as vinyl gloves. Most suitable for users sensitive to latex protein.	
Surgical gloves	Extra strength and length that provide additional protection from surgical debris.	Healthcare (Hospitals)
Vinyl gloves	Most economical and cost effective. Suitable for users sensitive to latex protein.	Healthcare facilities Research and development Food and beverages Others
Cleanroom gloves	Low ionic residual levels, particle counts, and pinhole levels. High resistance to punctures and tears.	Semi-conductor manufacturing, pharmacies, electronics sector

Source: Company data, SAC Advisors

While UGHC is currently producing gloves for the healthcare industry, this is not the Group’s focus as gloves for this industry tend to be more generic. Instead, they focus on the non-medical sector, such as industrials, and this currently account for about 55-60% of their manufacturing volume.

Company Background

Revenue Breakdown (FY2017)

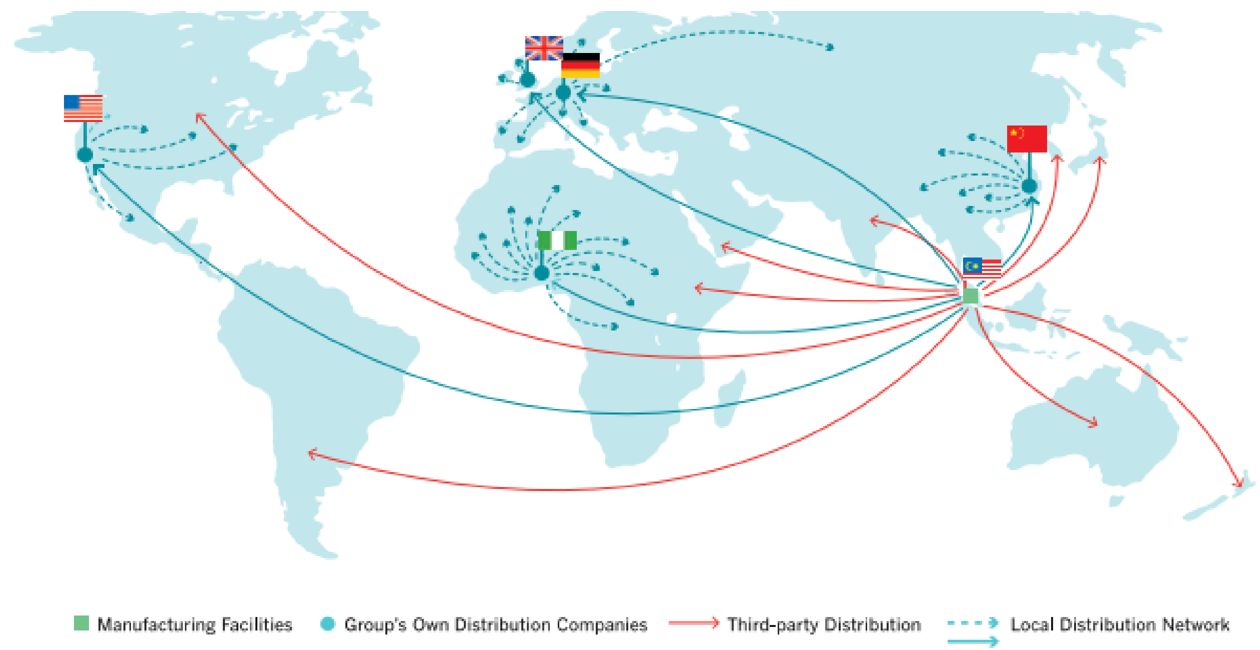


Source: Company data, SAC Advisors

**Freight services income did not contribute any revenue in FY16, this segment contributed 0.1% to total revenue in FY15.*

- Started in 1989, the Group has built its reputation as a reliable manufacturer and distributor of natural latex and nitrile examination gloves under its own brand names, including its "Unigloves" brand name as well as third party labels where it is engaged as an original equipment manufacturer.
- The Group has two manufacturing facilities located in Seremban, Malaysia. To complement this manufacturing platform, it has established an extensive distribution network globally through its own distribution companies based in the USA, UK, Germany, PRC, and Nigeria, as well as through third party distributors. Through this extensive distribution network, its products are sold to more than 50 countries including Germany, Nigeria, the PRC, USA, UK, France, Italy, Austria, Switzerland, the Netherlands, Japan, South Korea, Canada and Brazil.
- They manufacture and distribute natural latex and nitrile examination gloves under several brands including their "Unigloves" brand name as well as third party labels where we are engaged as an original equipment manufacturer. Our extensive product range includes gloves of various colours and scents to appeal to different needs and preferences, and are used across a diverse range of industries. We also distribute ancillary products including surgical, vinyl and cleanroom gloves, face masks and other medical disposables.

Manufacturing capabilities



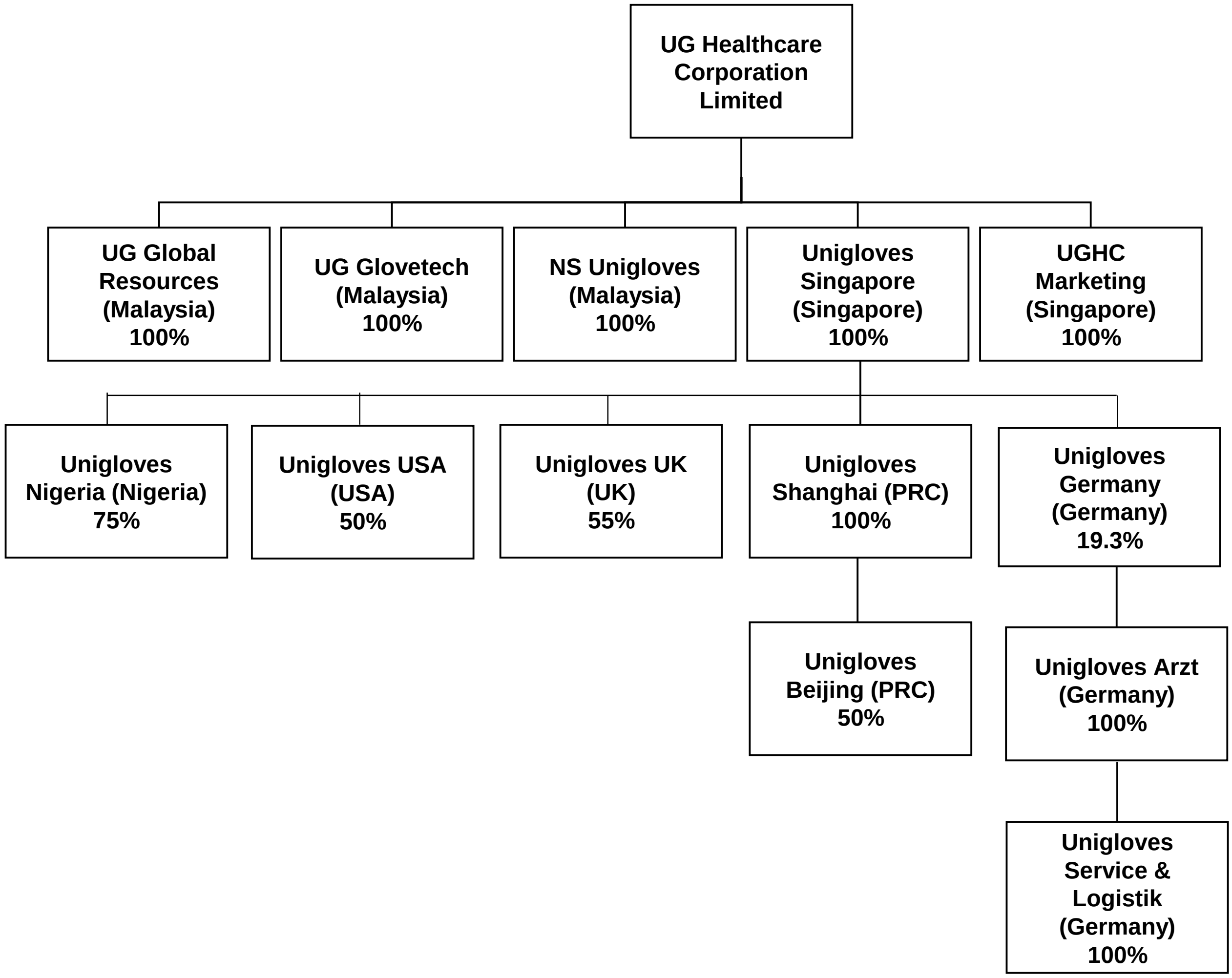
Source: Company data

Corporate Structure

History

The Group was founded by Ang Beng Teck and Lee Keck Keong, the CEO in the late 1980's. Wong See Keong, their Executive Director, joined the management team as a technologist shortly after the founding of the Group.

Lee Keck Keong, Ang Beng Teck and Wong See Keong have been instrumental in the growth, development and success of their Group. Under their leadership, the Group has steadily developed from its inception as a small rubber glove manufacturer with an extensive global distribution platform for its products.



Source: Company data, SAC Advisors

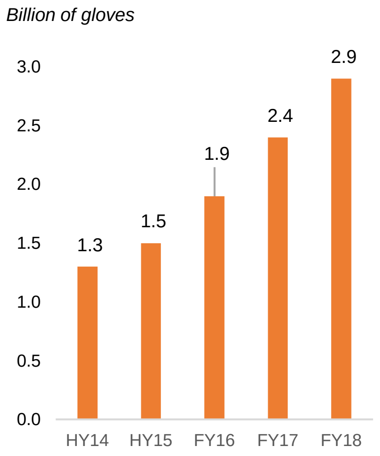
Growing Manufacturing Capabilities

The first of the two important equations for UG Healthcare's integrated platform is their manufacturing capabilities. UG Healthcare currently has two manufacturing facilities located in Seremban, Malaysia.

Source: Company data

Source: Company data

Gloves production capacity



Source: Company data, SAC Advisors

Both of the plants have a combined production capacity of 2.4 billion gloves per annum as at the end of FY2017, increasing their production capacity by 500 million gloves from FY2016. This increased capacity has already been taken up by their distributors.

When we visited the two production facilities, it was evident that the older plant, operated by NS Unigloves (Plant 1) (picture on the left), was older and less advanced than the second plant we visited (picture on the right). At this moment, the older facility, NS Uniglove has 800 million pieces of capacity, while the second plant – which began operation in 2013 – has a production capacity of 1.6 billion gloves annually.

The Group is currently upgrading its existing production lines to improve operational efficiencies and technical enhancements to enable better utilisation of capacity and resources.

To cater to the increasing demand, the Group has commenced construction of a new production facility on the plot of land (which the Group already owns) beside their existing manufacturing facility. The management team expect construction for Phase 1 to complete by end of December 2017 and commercialisation of the new production lines is expected by the fourth quarter of 2018. They aim to increase their production capacity by an additional 500 million per annum to reach 2.9 billion progressively by end of the financial year ending 30 June 2018 ("**FY18**"). This new production facility could potentially increase annual production capacity by approximately up to 1 billion gloves per annum in the near future when it gradually achieves full production capacity.

Growing Manufacturing Capabilities

The new production facility which is currently undergoing construction, is expected to meet the growing demand from Brazil. According to management, Brazil is one of the fastest growing markets for UGHC and now account for about 20% of the Group's revenue.

New production facility (undergoing construction)

Source: SAC Advisors

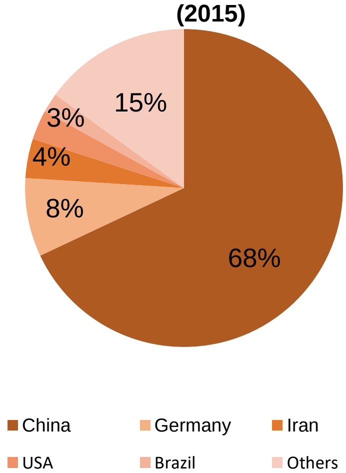
New facility to increase utilisation rate and margins

We see the opening of the new production facility as critical for the Company to derive better margins moving forward. This in our view, addresses the long-going concern from investors about UGHC's lower margins vis-à-vis their larger listed peers. This is because UGHC's production plants tend to have a lower utilisation rate when compared to their peers since UGHC caters to a higher mix of products (such as different coloured gloves, elongated gloves and bar-coded gloves for Brazil) for different industries (such as food and tattooist) at lower volumes.

The opening of the new facility allows the Company to improve their production process as it reduces/removes the switching time required currently when changing the line. According to the plant manager, the down time to switch the gloves line can take about 12 to 24 hours as the solutions – which contains an in-house mixture of coagulants and rubber or nitrile latex – will need to be switched into a different formulation. With the new production facility, the Group will be able to improve their utilisation rate through minimal switching and reap better margins.

Prospects for the disposable glove industry remain bright

Malaysia export of natural rubber by destination (2015)



Source: Malaysian Rubber Board, SAC Advisors

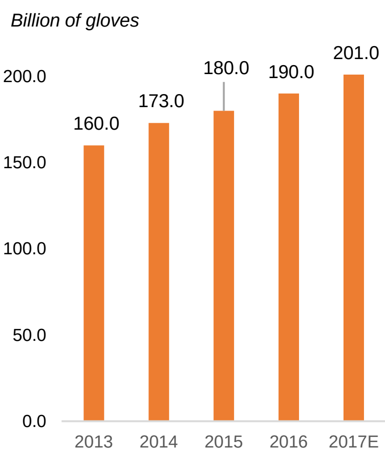
The global rubber gloves industry is a direct beneficiary of an expanding healthcare sector, as rubber gloves are often seen as an indispensable item for hygiene purposes. Due to the varying needs and preferences of the industry, rubber gloves can come in different materials such as latex, nitrile and vinyl. The rubber can be classified as natural rubber ("**NR**") or synthetic rubber ("**SR**"). Latex gloves are made from NR whilst nitrile and vinyl gloves are made from SR.

World global demand to grow at 6% to 8% pa

Global gloves demand grew at an 8 – 10% compounded annual growth rate ("**CAGR**") in the past 10 years, and we expect this to continue growing as gloves serves an important function in the healthcare industry. According to The National Key Economic Areas roadmap, Malaysia aims to boost their global market share of rubber gloves to 65% by 2020.

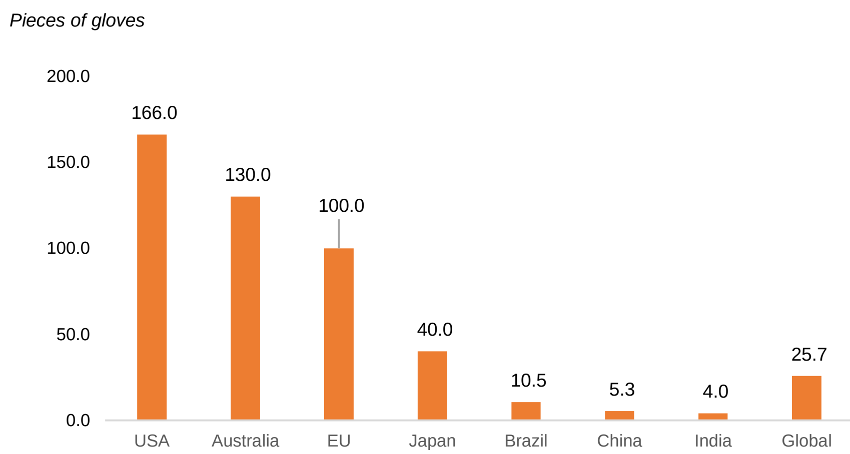
Global gloves demand is expected to continue growing at an average of 6% to 8% per annum for the next 10 years, mainly driven by increasing emerging market demand. This can be attributed to the greater healthcare awareness coupled with the increasing adoption of protective measures to prevent transmission of infectious diseases.

World global demand



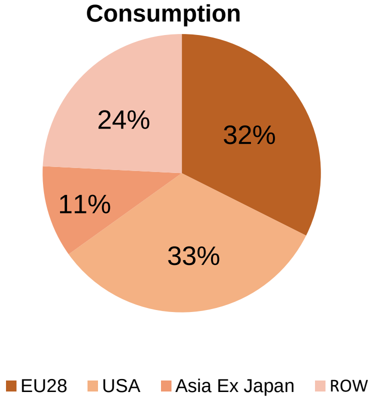
Source: Malaysia Rubber Gloves Manufacturer Association, SAC Advisors

Per capita glove consumption



Source: Top Glove Corporation, SAC Advisors

% of Global Glove Consumption



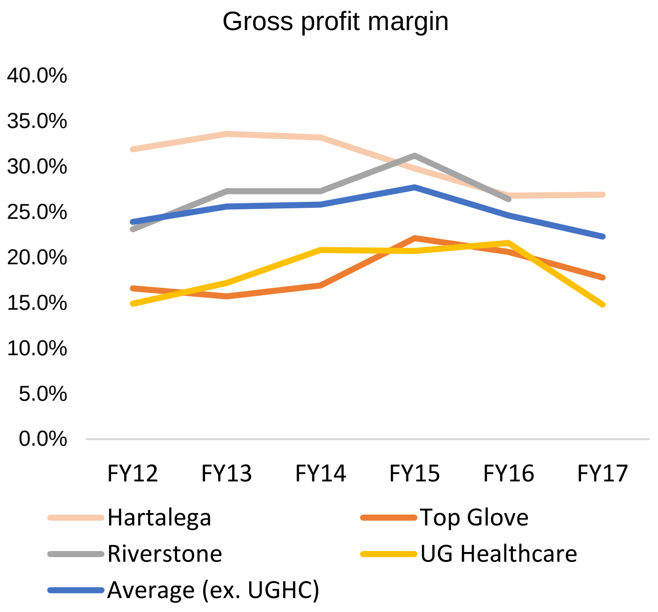
Source: International Trade Centre, Top Glove Corporation, SAC Advisors

According to data from the International Trade Centre, developed countries – USA, EU28 and Japan - currently account for 13% of the total world population but currently consume 71% of the global glove consumption worldwide. In our view, this huge disparity highlights the huge growth potential in the gloves market globally.

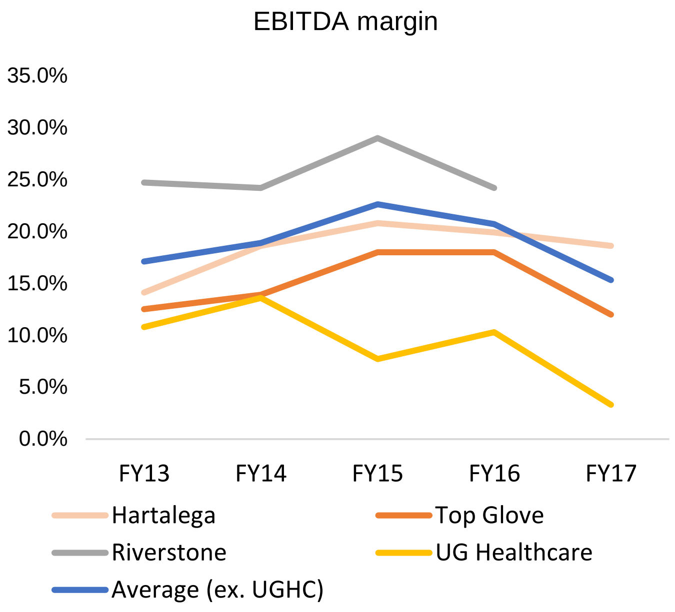
Key Industry Drivers

Lower than industry average margins because of smaller scale and utilisation

When compared to their larger-listed peers, UGHC has a lower profitability margin than them. This is because of their much smaller production scale of 2.9 billion gloves per annum vs. some of their peers like Top Glove Corporation Limited (“**Top Glove**”) and Hartalega Holdings Bhd (“**Hartalega**”) with an annual production capacity of 51.9 and 22.4 billion gloves per annum as at FY17.



Source: Company data, Bloomberg, SAC Advisors



Source: Company data, Bloomberg, SAC Advisors

In addition, unlike their other larger listed peers who produce as original equipment manufacturers, UGHC sells directly to their end-customer through their distributors. This means that they do not yet enjoy the economies of scale and utilisation rate that their larger counter-parts enjoy. Therefore, rather than competing on volume, UGHC produces for customers with lower volumes but have higher margins. The flip-side of this however, is that inventory levels for UGHC will be high as they will have a high variety of different stock keeping units (“**SKUs**”).

While we see the merits of the strategy, we see a potential issue being the high inventory levels the Group has to maintain in order to cater to a large group of customers. From FY13 to FY17, whilst top-line grew at a CAGR of 8.5%, inventories grew at 23.5% CAGR over the same period. This is because unlike their other larger peers, UGHC has a controlling stake in some of their distributors, which require them to hold inventory.

Revenue Breakdown	FY13	FY14	FY15	FY16	FY17
Inventories	6,739	9,019	10,233	13,586	15,699

Source: Company data, SAC Advisors

Industry Overview and Valuations

Lowest valued in the industry

As the smallest player in the industry, UGHC lacks the production scale of the other larger listed-peers, consequently leading to lower than industry average margins. UGHC is currently trading at 14.9x FY17 P/E, which is a 37.7% discount to the industry average.

	Market Cap (SGD m)	Gross Profit margin (%)		EBITDA margin (%)		P/E (x)	
		FY16	FY17	FY16	FY17	FY16	FY17
Hartalega	6,306.9	26.8%	26.9%	25.9%	23.1%	30.9	28.8
Top Glove	3,923.4	20.6%	17.8%	12.5%	12.3%	14.7	21.4
Kossan Rubber Industries	1,840.0	N/A	N/A	15.1%	N/A	25.2	28.4
Riverstone	793.0	26.4%	N/A	24.2%	N/A	16.8	17.0
Average	**3,215.8**	**24.6%**	**22.4%**	**19.4%**	**17.7%**	**21.9**	**23.9**
UGHC	**38.3**	**21.6%**	**14.8%**	**10.3%**	**3.3%**	**15.7**	**14.9**

Source: Bloomberg, SAC Advisors

Financial Summary

Revenue model

They are principally engaged in the manufacturing, processing and distribution of gloves. They derive their revenue mainly from the manufacturing and sale of natural latex examination gloves and nitrile examination gloves and the distribution of ancillary products (including surgical, vinyl and cleanroom gloves, face masks, and other medical disposables).

Black gloves for tattooist

Source: Company data

Revenue Breakdown	FY13	FY14	FY15	FY16	FY17
Latex Examination gloves	59.1%	59.0%	57.8%	52.7%	51.5%
Nitrile Examination gloves	34.7%	35.3%	35.9%	36.0%	36.5%
Other ancillary products	6.2%	5.7%	6.3%	11.3%	12.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company data, SAC Advisors

Despite accounting for slightly over half of UGHC's overall revenue, nitrile examination gloves and their other ancillary products are growing at a faster rate than latex examination gloves. Compared to its latex and vinyl peers, the demand of nitrile gloves is expected to be greater. This is mainly due to its enhanced durability and the fear of latex allergy which arises from the use of latex gloves.

Gross margin	FY13	FY14	FY15	FY16	FY17
Latex Examination gloves	16.2%	20.6%	19.1%	19.9%	16.2%
Nitrile Examination gloves	19.6%	21.2%	23.3%	22.0%	14.8%
Other ancillary products	15.4%	20.6%	20.7%	28.0%	9.0%
Total	**17.2%**	**20.8%**	**20.7%**	**21.6%**	**14.8%**

Source: Company data, SAC Advisors

Financial Summary

Revenue for geographical locations see strong growth

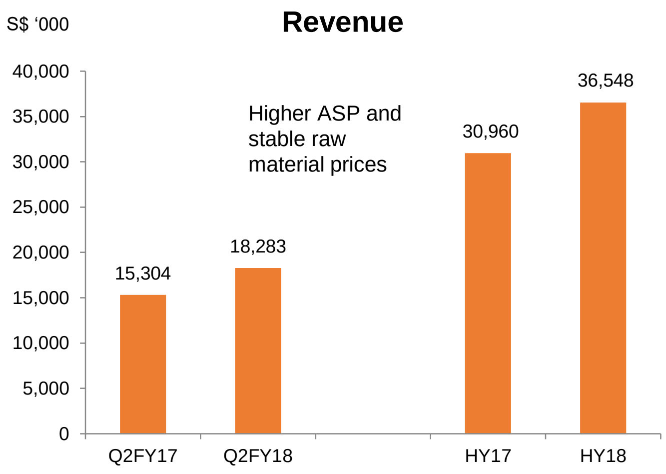
According to management, the latest HY18 results saw strong top-line growth reported across the board in UGHC's different geographical segments. Their often-neglected distribution business, which currently account for about one-third of their revenue is also rapidly growing.

The management attributed the strong growth in the key markets as testament to their established local sales and marketing teams, which form the critical backdrop of their overall distribution infrastructure. Since their listing, UGHC has frequently touted the importance of their integrated distribution platform as being crucial for the Company to control their own distribution of their products as this reduces their vulnerability and dependence to external distributors. We think the strategy is sound, but will require time to fully realise the benefits.

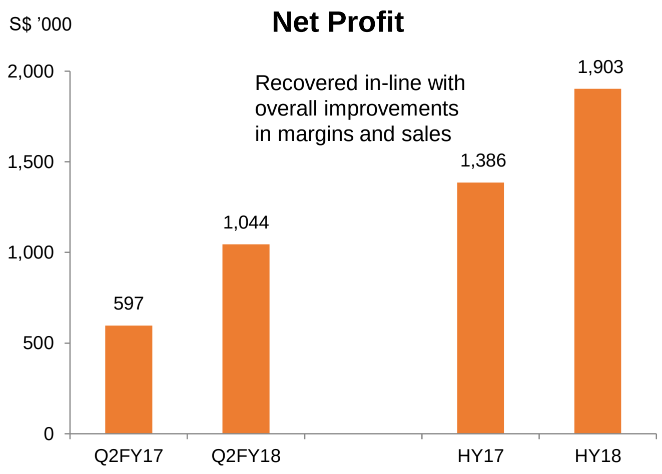
Financial Summary

Second quarter results show stabilisation and turnaround

UGHC reported second quarter FY18 results that showed revenue increase by 19.5% as the Group benefited from higher ASP's, higher volumes and stable raw material prices this quarter. The result of this is that overall gross profit margin improved by 320 basis points to 17.8% for the latest Q2FY18 vs. 14.6% a year ago.



Source: Company data, SAC Advisors



Source: Company data, SAC Advisors

Margin turnaround a long-term story

While the margin recovery this quarter is heartening, we believe investors will be watching closely how management grow their margins from here moving forward.

"This new production line will enable us to run even more efficiently than we did last time."

~ Lee Jun Yih

We are of the view however, that the margin turnaround story is one that will take time to materialise, and see the expansion of their production capacity as a step in the right direction. As their Executive director, Lee Jun Yih highlighted at the results briefing, "This new production line will enable us to run even more efficiently than we did last time".

This is because under the current system, their maximum capacity is capped at around 60%+ as they face a significant number of downtime every quarter when they change the lines to meet different customers orders. For example, whereas previously, they had to experience a down-time of 1-3 days when they change the line from producing powdered gloves for Brazil to powdered-free gloves for Germany, this can now be avoided as they will be able to reconfigure and restructure their lines with the new capacity coming on stream. The result of this, is lesser downtime from the changing of lines.

Lastly, further investments into their downstream distribution business – which was established at the same time as their manufacturing business – will also strengthen their brand moving forward.

Future Plans and Growth Strategy

Building of the linked integrated platforms of manufacturing and distribution

During our visit to UGHC's site, we received better clarity from management on their overall business strategy which focuses on the two linked platforms of manufacturing and distribution.

In our view, the market currently misunderstands UGHC's business as a purely manufacturing business. The Group's manufacturing business provides the foundation to support their global distribution business through concerted efforts at increasing cost efficiency and productivity, ensuring they produce premium quality gloves and embarking on product innovation through research and development. This part of the business focuses on operational effectiveness and efficiency to ensure profitability and growth.

The important driver of growth for UGHC however, is their often under-covered distribution business. The Group's distribution business deals directly with their customers, which include both end-users and intermediaries. They manufacture and distribute products under their brand names, including their "Unigloves" brand, as well as third party labels to end-users and intermediaries. The intermediaries will then distribute their products to their end-customers.

The focus on growing their distribution business is a practical and logical step in the right direction for the Group in our view. Given their scale, it is impractical to compete with their larger listed peers on costs alone. Growing their distribution business allows them to have control over the distribution of their gloves rather than competing on costs alone.

Their distribution channels also allow them to constantly interact with their customers to evaluate their needs and tailor their products accordingly to meet their changing needs. As some of their customers are intermediaries, they are also able to tap on their existing network to expand their market coverage.

In our view, the Group's re-rating will be driven by the successful integration and implementation of these two platforms.

Key Risks

Flood in supply of healthcare gloves
Malaysia's big four glove makers have been expanding aggressively over the last three years. While we do not expect the increase in supply to affect UGHC materially since they sell their products directly to their end-customers via their distribution platform, any oversupply could result in ASP and margin pressure nonetheless for the Group.

Management

Mr. Lee Keck Keong is the co-Founder, Executive Director and CEO of the Company. Following the retirement of Mr Ang Beng Teck, he has been re-designated from Non-Executive Director to Executive Director and Chief Executive Officer on 19 October 2016. Mr Lee has been instrumental in successfully leading the Group to become an established player in the gloves manufacturing industry. Following his re-designation, he is responsible for (i) the formulation of the overall business and corporate policies and strategies of the Group; (ii) the overall management of the business and operations of the Group; and (iii) the Group's overall business development. He graduated from the University of Surrey in 1977 with a degree in chemical engineering.

Mr. Lee Jun Yih is the Executive Director of the Company. Mr Lee joined the Group in July 2011 as a director of Shanghai Full-10 International Trading Co., Ltd, ("**Unigloves Shanghai**"), focusing on business and corporate development. He is primarily responsible for oversight and management of the Group's business and corporate development and works together with the Chief Executive Officer to formulate the overall business and corporate policies and strategies for the Group. He graduated from Pembroke College, University of Cambridge with a Bachelor of Arts (Law) in June 2004.

Mr. Lee Jun Linn is the Executive Director of the Group and is responsible for directing the Group's sales, marketing and distribution platforms, and focuses on developing the Group's marketing strategies and expanding its distribution network. He started his career with the Group as an Assistant General Manager of Unigloves Shanghai in April 2008, and rose through the ranks to become the General Manager of Unigloves Shanghai in 2012. Mr Lee graduated from University College London with a Bachelor of Science (Economics) degree in August 2006

Income Statement (S$'000)

	Fiscal Year Ended				
	FY13	FY14	FY15	FY16	FY17
Revenue	**47,014**	**49,009**	**55,740**	**58,823**	**65,239**
Less: Cost of sales	(38,907)	(38,807)	(44,191)	(46,130)	(55,573)
Gross Profit	8,107	10,202	11,549	12,693	9,666
Other income	494	500	1,394	2,379	1,830
Marketing and Distribution expenses	(291)	(343)	1,332)	1,334)	(1,784)
Administrative expenses	(3,685)	(4,275)	(6,859)	(6,738)	(6,576)
IPO expenses	-	(73)	(817)	-	-
Share of profits from associates	606	564	513	691	534
Other expenses	(6)	(160)	(144)	(46)	(604)
Results from operating activities	5,225	6,415	4,304	7,645	3,066
Finance costs	(266)	(285)	(347)	(176)	(497)
Tax expense	(1,147)	(1,218)	(1,025)	(1,950)	(389)
Profit/(Loss) for the year	3,812	4,912	2,932	5,519	2,180
Profit/(Loss) attributable to owners of company	**3,764**	**4,900**	**3,164**	**5,450**	**2,444**
Earnings/(Loss) per share:					
-Basic (SG cents)	**2.36**	**3.10**	**1.68**	**2.90**	**1.28**
-Diluted (SG cents)	**2.36**	**3.10**	**1.68**	**2.89**	**1.27**

Balance Sheet (S$'000)

	Fiscal Year Ended				
	FY13	FY14	FY15	FY16	FY17
As at 30 June					
Property, plant and equipment	11,849	12,853	14,479	17,078	19,164
Associates	1,772	4,555	4,765	5,288	5,578
Intangible assets	-	-	326	297	261
Deferred tax assets	-	-	74	158	396
Total non-current assets	**13,621**	**17,408**	**19,644**	**22,821**	**25,399**
Inventories	6,739	9,019	10,233	13,586	15,699
Amount due from a director	40	-	-	-	-
Derivative financial assets	-	95	-	-	316
Trade and other receivables	10,513	10,065	14,833	13,651	21,289
Cash and bank balances	3,591	3,781	7,101	5,985	3,538
Total current assets	**20,883**	**22,960**	**32,167**	**33,222**	**40,842**
Total assets	**34,504**	**40,368**	**51,811**	**56,043**	**66,241**
Share capital	1,281	3,988	36,243	36,243	37,126
Reserves	646	38	(28,363)	(32,607)	(35,842)
Retained earnings	21,120	25,957	29,060	34,510	35,850
Equity attributable to owners of the Company	**23,047**	**29,983**	**36,940**	**38,146**	**37,134**
Non-controlling interests	99	101	163	198	(75)
Total Equity	**23,146**	**30,084**	**37,103**	**38,344**	**37,059**
Deferred tax liabilities	188	388	953	1,269	1,535
Bank borrowings	4,457	4,300	4,078	3,014	1,654
Non-current liabilities	**4,645**	**4,688**	**5,031**	**4,283**	**3,189**
Income tax payable	283	18	-	-	-
Derivative financial instruments	310	-	571	143	-
Bank borrowings	1,416	1,476	1,881	7,754	17,233
Trade and other payables	4,704	4,102	7,225	5,519	8,760
Current liabilities	**6,713**	**5,596**	**9,677**	**13,416**	**25,993**
Total liabilities	11,358	10,284	14,708	17,699	29,182
Total equity and liabilities	**34,504**	**40,368**	**51,811**	**56,043**	**66,241**

Cash Flow Statement (S$'000)

	Fiscal Year Ended				
	FY13	FY14	FY15	FY16	FY17
Profit/(Loss) before tax	**4,959**	**6,130**	**3,957**	**7,469**	**2,569**
Depreciation & amortisation	848	832	917	1,061	1366
Change in working capital	(2,661)	(2,231)	(1,716)	(4,671)	(7,677)
Others	(1,578)	(2,804)	(1,175)	(5,254)	(3,354)
Net Cash from/ (used in) operations	**1,568**	**1,927**	**1,983**	**(1,405)**	**(7,105)**
Purchase of PPE	(1,214)	(1,144)	(3,606)	(4,564)	(3,626)
Others	87	(2,279)	56	228)	955
Net Cash from/(used in)/ from investing	(1,127)	(3,423)	(3,550)	(4,792)	(2,671)
Net increase in equity	256	2,824	6,192	-	-
Net increase in debt	(181)	(894)	16	5,203	8,119
Others	-	(83)	(1,451)	-	(197)
Net Cash from/(used in) financing	**75**	**1,847**	**4,757**	**5,203**	**7,922**

Ratios

	Fiscal Year Ended				
	FY13	FY14	FY15	FY16	FY17
Profitability (%)					
Gross profit margin	17.2%	20.8%	20.7%	21.6%	14.8%
Profit/(loss) before tax margin	10.5%	12.5%	7.1%	12.7%	3.9%
Profit/(loss) after tax margin	8.1%	10.0%	5.3%	9.4%	3.3%
Liquidity (x)					
Current ratio	3.1	4.1	3.3	2.5	1.6
Quick ratio	2.1	2.5	2.3	1.5	1.0
Interest coverage ratio	19.6	22.5	12.4	43.4	6.2
Net Debt to Equity	13.5%	9.5%	(3.1%)	12.5%	41.4%
Valuation (x)					
P/S	0.8	0.8	0.7	0.7	0.6
P/E	N/A	14.0	17.6	15.7	14.9
Core P/E at target price	N/A	N/A	N/A	N/A	N/A
P/B	N/A	1.2	2.5	1.4	1.1
P/NTA	N/A	N/A	N/A	N/A	N/A
Cash Conversion Cycle					
Net trade receivable days	79	69	86	75	105
Inventory days	63	85	85	107	103
Trade payable days	44	39	60	44	58
CCC days	104	122	126	146	155
Returns					
Return on equity	16.3%	16.3%	8.6%	14.3%	6.6%
Return on capital employed	15.0%	15.9%	8.1%	12.3%	5.0%
Dividend payout ratio	N/A	N/A	20.0%	20.3%	20.0%

n.m.: not meaningful

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